



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

October 24, 2000

### **H.R. 2441**

### **Fairness in Securities Transactions Act**

*As ordered reported by the House Committee on Commerce on October 6, 2000*

#### **SUMMARY**

H.R. 2441 would reduce the fees the Securities and Exchange Commission (SEC) is authorized to collect on securities transactions conducted through national securities exchanges, associations, brokers, and dealers. The rate would be cut from 1/300th of 1 percent of the aggregate dollars traded to 1/500th of 1 percent of the aggregate dollars traded. Under the bill, all transaction fees collected up to a certain threshold would be classified as governmental receipts (that is, revenues). Any transaction fees above this threshold would be authorized to be collected only to the extent provided in appropriation acts and would be classified as offsetting collections (that is, offsets to discretionary spending). The provisions of H.R. 2441 would be effective from October 1, 2000, through October 1, 2006.

CBO estimates that enacting H.R. 2441 would reduce the SEC's transaction fees by \$478 million in fiscal year 2001 and by a total of \$4 billion over the 2001-2005 period (from \$10 billion to about \$6 billion).

Table 1 shows the estimated impact of H.R. 2441 on the SEC's transaction fees, assuming that future appropriation actions would continue to allow the collection of these fees consistent with the authorizing statute.

Because the collection of fees from 2002 through 2005 would be subject to future appropriation action, the reduction mandated by this bill would be reflected as a loss of offsetting collections credited against future appropriations (\$3.5 billion over the four-year period).

For 2001, the nature of the budgetary impact of this bill would depend on whether the SEC appropriation would be enacted before H.R. 2441. If it is, then this bill would affect outlays from an already-enacted appropriation, which would be considered a direct spending impact (of \$478 million). Alternatively, if the SEC appropriation were not enacted before H.R. 2441, the effect of this bill in 2001 would be like that in the subsequent years—a loss of offsetting collections credited against future discretionary appropriations.

**Table 1. Estimated Effects of H.R. 2441 on SEC Transaction Fees**

	Millions of Dollars, By Fiscal Year				
	2001	2002	2003	2004	2005
CBO Baseline Estimate of SEC Transaction Fees <sup>a</sup>	1,303	1,593	1,938	2,346	2,836
SEC Transaction Fees Under H.R. 2441	825	956	1,163	1,408	1,701
Estimated Change in SEC Transaction Fees	-478	-637	-775	-938	-1,135

a. These estimates are sums of the transaction fees that are classified as governmental receipts and the transaction fees that are classified as offsetting collections.

For this estimate, we assume H.R. 2441 will be enacted after a regular 2001 appropriation is in place for the SEC (see Table 2).

H.R. 2441 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments.

## ESTIMATED COST TO THE FEDERAL GOVERNMENT

Table 2 shows the estimated budgetary impact of H.R. 2441, assuming that the SEC's appropriation for 2001 is enacted before this bill. The costs of this legislation fall within budget function 370 (commerce and housing credit).

**Table 2. Estimated Budgetary Impact of H.R. 2441**

	Millions of Dollars, By Fiscal Year				
	2001	2002	2003	2004	2005
<b>CHANGES IN DIRECT SPENDING</b>					
Estimated Budget Authority	478	0	0	0	0
Estimated Outlays	478	0	0	0	0
<b>CHANGES SUBJECT TO APPROPRIATION</b>					
Estimated Authorization Level	0	637	775	938	1,135
Estimated Outlays	0	637	775	938	1,135

## BASIS OF ESTIMATE

Under current law, the SEC collects 1/300th of a percent of the aggregate dollar value of securities traded through national securities exchanges, national securities associations, brokers, and dealers. The fee rate will decline to 1/800th of a percent for 2007 and thereafter. Fees collected from national securities associations are subject to appropriation action and are recorded as offsetting collections, while fees from other sources are recorded as revenues.

H.R. 2441 would reduce the transaction fees to 1/500th of 1 percent of the aggregate dollar value of securities traded during the period between October 1, 2000, and October 1, 2006. Based on historical data on the dollar volume of securities traded on the major national securities associations and exchanges, CBO estimates that the aggregate dollar volume of securities traded will amount to about \$39 trillion in 2001 and about \$300 trillion over the 2001-2005 period. On this basis, CBO estimates that implementing H.R. 2441 would reduce SEC transaction fees by a total of \$4 billion over the 2001-2005 period, relative to the CBO's most recent baseline estimates.

The bill would classify all transaction fees collected up to a certain threshold as revenues. H.R. 2441 would define that threshold as the most recent CBO baseline estimate of revenues from transaction fees. (CBO currently estimates that such revenues will total \$486 million in fiscal year 2001 and \$3.5 billion over the 2001-2005 period.) Under the bill, any transaction fees collected above that threshold would be recorded as offsetting collections, to the extent provided in appropriation acts.

## PAY-AS-YOU-GO CONSIDERATIONS

The Balanced Budget and Emergency Deficit Control Act sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. The net changes in outlays that are subject to pay-as-you-go procedures are shown in the following table, assuming the SEC appropriation for 2001 is enacted before H.R. 2441. If not, this bill would have no pay-as-you-go impact.

	By Fiscal Year, in Millions of Dollars									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Changes in outlays	478	0	0	0	0	0	0	0	0	0
Changes in receipts	Not applicable									

## **INTERGOVERNMENTAL AND PRIVATE SECTOR MANDATES STATEMENT**

H.R. 2441 contains no intergovernmental and private-sector mandates as defined in UMRA, and would impose no costs on state, local, or tribal governments.

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